



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

February 9, 2006

Financial Audit Management Report

J. K. Stringer, Jr., Executive Director
Department of Finance and Administration
1301 Woolfolk Building
Jackson, Mississippi 39201

Dear Mr. Stringer:

The Office of the State Auditor has completed its audit of selected accounts included on the financial statements of the Department of Finance and Administration for the year ended June 30, 2005. These financial statements are consolidated into the State of Mississippi's Comprehensive Annual Financial Report. The Office of the State Auditor's staff members participating in this engagement included Vicki Alvey, Judy Bounds, and Jay Strait.

The fieldwork for audit procedures and tests was completed on November 2, 2005. These procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

Internal Control over Financial Reporting

In planning and performing our audit of selected accounts included on the financial statements, we considered the Department of Finance and Administration's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on these accounts and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

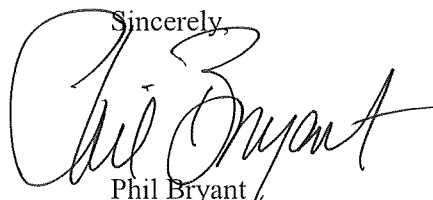
Compliance and Other Matters

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Department of Finance and Administration are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. We are pleased to report the results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Under the guidelines issued by the Auditing Standards Board of the American Institute of Certified Public Accountants, we have not included in the management letter a matter related to the failure of the Department of Finance and Administration to repay the outstanding balance of the loan made to the general fund by the Mississippi Department of Transportation, formerly the State Highway Department. Chapter 540 of General Laws of 1992 Legislative Session (Senate Bill Number 2707) required this loan to be repaid by June 30, 1993. This matter has been brought to the attention of management in previous years. Previous management of the agency has acknowledged its understanding of this matter, but has disagreed.

This report is intended solely for the information and use of management and Members of the Legislature and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I appreciate the cooperation and courtesy extended by the officials and employees of the Department of Finance and Administration throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

Phil Bryant
State Auditor

End of Report